New Jersey Non-Profit

Economic Trends Update

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Helping organizations build a better New Jersey

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Summary

This report is the latest in a series of periodic surveys by the Center for Non-Profits to gauge trends, experiences and projections of New Jersey non-profit organizations. It is a follow-up to the Center's March 2009 report, *New Jersey Non-Profits: Trends and Outlook*, which detailed some of the effects of the economic downturn on the state's charitable organizations. The Center conducted the latest survey online in mid-September 2009. The 281 responses from 501(c)(3) organizations that were submitted as of September 14, 2009, were included in this analysis.

Among the key findings:

- As many groups predicted in the survey at the beginning of the year, most non-profits have continued to experience rising demand for service this year. Overall, more than 54% of respondents reported an increased demand for service since the beginning of 2009. Groups providing health (73%), education (66%), and human services (63%) have seen the sharpest upticks in demand.
- Despite the rise in demand, only 45% of groups said they had served more people. The largest gaps between increased demand and increased people served were in health, education, and human services.
- Meanwhile, as demand for service rose, total funding for most groups continued to decline. Overall, 61% of respondents reported a decline in total funding this year compared to the first eight months of 2008. Only 16% of responding groups reported an increase in funding. Funding decreases were most pronounced in corporate, foundation, individual donations, investment income and state government. Decreases in these sources were most prevalent among arts organizations, although cuts were widespread across all categories. Additionally, more than half of respondents expected total 2009 funding to decrease compared to 2008.
- Forty-two percent of responding organizations projected they would spend more money than they took in by the end of their current fiscal year, and an equal number predicted they would break even. Year-end shortfalls were predicted most often by health, education, and human service organizations. Only 12% of respondents expected their total revenues would exceed expenses by the end of the fiscal year.
- Non-profits reported a wide array of cost-cutting measures to address the situation. Half of responding organizations had already frozen staff salaries when the survey was taken, and an additional 20% had reduced them. One-third (33%) had cut staff in 2009, and an additional 14% said that they might have to do so before the end of the year. Organizations are trying to fill some of the gap by recruiting additional volunteers, with 39% of respondents reporting that they had already done so in 2009.
- Similar to previous surveys, 42% of respondents reported launching new partnerships/collaborations in 2009, most commonly with other non-profit organizations, although partnerships with government and business were also reported.

Although the results should be interpreted with some caution, the 2009 interim data clearly indicate that the recession has taken a significant toll on many non-profits. Although the rate of increase seems to have slowed somewhat compared with earlier in the year, demand for services remains high, funding has decreased, and the future funding outlook, at least for the short term, appears tight. The gap between increased demand and projected funding is a cause for concern.

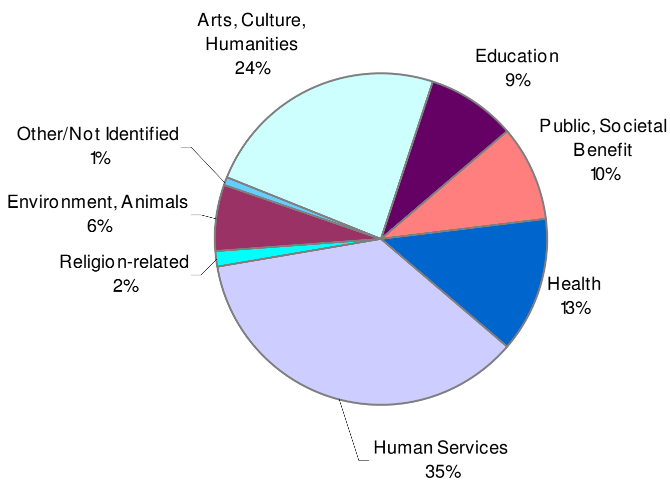
Sustained attention to capacity building, organizational infrastructure, planning and partnerships/collaborations will remain vital as organizations navigate the crisis and adjust to a changing environment. Public policy initiatives to address capacity needs and resource shortages will also be critical.

Background and Methodology

Given the continuing fluctuations in the economy as well as in forecasts for the future, the Center conducted a follow-up survey to its March 2009 report to gauge how non-profits were faring two-thirds of the way through the year. The Center conducted the latest survey online in mid-September 2009. An announcement with a link to the survey was sent to approximately 2600 subscribers of the Center's e-mail list, and additional outreach was made to other umbrella organizations serving non-profits in the state. All communications encouraged recipients to share the survey notice/instrument broadly within their own networks. The 281 responses from 501(c)(3) organizations that were submitted as of September 14, 2009, were included in this analysis.

Demographics of Responding Organizations

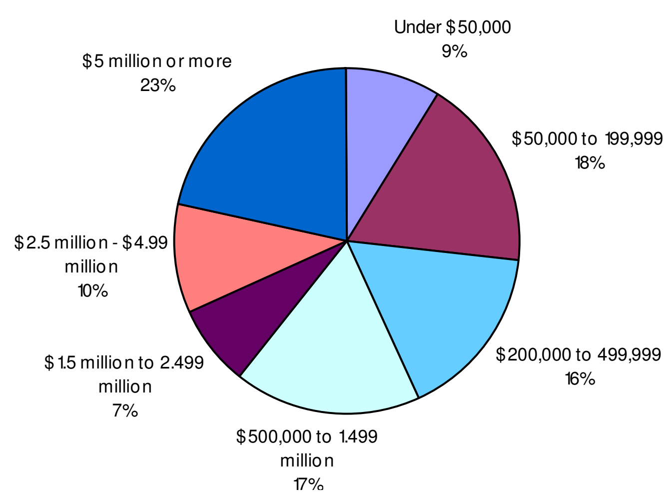
Chart 1: Primary Service Focus
(N=281)



Primary Service Focus

Respondents were asked to select their organization's primary purpose from a list of eight classifications. Chart 1 represents the breakdown of respondents according to those categories. Compared with New Jersey's non-profit sector overall, arts/culture/ humanities and human services organizations are overrepresented, while public/societal benefit and religious organizations are underrepresented. However, the diversity of organizations within the non-profit sector is reflected within the survey respondents.

Chart 2: Annual Operating Budget
(N=281)



Budget Size

Chart 2 represents the breakdown of survey respondents by annual budget. Although a wide range of budget sizes are represented, organizations of less than $200,000 budget, which make up the majority of New Jersey's non-profits, are underrepresented in the survey responses. Larger organizations are somewhat overrepresented in this survey when compared with their proportion to the New Jersey non-profit sector as a whole.

Geographic Location

The geographic distribution of responding organizations was roughly comparable to that of non-profits throughout New Jersey, with Central Jersey slightly overrepresented and North and South Jersey slightly underrepresented. North Jersey organizations (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 43% of the respondents, while Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 35%, and 21% were located in the Southern region (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem).

Demand for Services

January through August 2009

Organizations were asked whether demand for core services increased or decreased during the first eight months of 2009 (Table 1). Overall, a majority of responding organizations (55%) reported that demand for services had increased in 2009, while only 13% reported a decrease. The increased demand was more acute within particular types of non-profits. Seventy-three percent of health organizations, 66% of education organizations, and 63% of human services organizations reported increased demand during 2009.

Demand for Core Services in First 8 Months of 2009 (N=277)	
Increase	55%
Decrease	13%
Remained the same	31%
Unknown	1%

Table 1

Change in numbers of people served

Although a majority of organizations reported increased demand for services during the first 8 months of the year, a slightly smaller number reported serving more clients, patrons or individuals during the same period (Table 2). Although not all non-profits' missions involve direct service to individuals, there were some clear gaps in the increased demand expressed by some types of organizations and whether they had served more people in the same period. For example, although 73% of health organizations in the survey reported increased demand in January-August of 2009, only 16% reported serving more people in the same period. Sixty-three percent of human service organizations reported increased demand, while only 13% reported serving more people. Sixty-six percent of education organizations cited increased demand, while 23% reported an increase in services.

Changes in Numbers of People Served in First 8 Months of 2009 (N=277)	
Increase	45%
Decrease	18%
Remained the same	35%
Unknown	2%

Table 2

Predictions for the Remainder of 2009

Fifty-two percent of organizations predicted demand for their services would continue to increase over the remainder of 2009. Thirty-nine percent felt demand for services would remain about the same, and only 5% projected a decrease in demand. (Table 3) Health and human services were most likely to project continued increases in demand.

Projected Demand for Core Services, Remainder of 2009 (N=277)	
Increase	52%
Decrease	5%
Remain the same	39%
Unknown	3%

Table 3

Finances and Funding

As demand for services has continued to rise, the survey revealed continued funding declines for the vast majority of respondents.

Revenue/Expense Projections

Despite widespread reports of increased demand for programs and services, 42% of responding organizations projected that they would spend more money than they took in by the end of their current fiscal year, and an equal number predicted they would break even. Year-end shortfalls were predicted most often by health organizations (54%), education (50%) and human service organizations (40%). Only 12% of respondents predicted their total revenues would exceed expenses by the end of the fiscal year.

Projected Total Income vs. Expenses for Fiscal Year-End (N=275)	
Surplus	12%
Break-even	42%
Deficit	42%
Unknown	5%

Table 4

Funding comparisons, 2008 vs. 2009

Overall, 61% of respondents reported a decline in total funding for the first eight months of 2009 compared to the same period in 2008. Only 16% of responding groups reported an increase in funding. More than half of respondents expected total 2009 funding to decrease compared to 2008 (Tables 5 and 6).

Comparison of Total Funding Jan-Aug 2009 vs. Jan-Aug 2008 (N=253)	
Increase	16%
Decrease	61%
Remain the same	23%
Unknown	< 1%

Table 5

Projected Total Funding in 2009 vs. 2008 (N=246)	
Increase	19%
Decrease	52%
Remain the same	24%
Unknown	5%

Table 6

Respondents were most likely to report funding decreases from corporate, foundation and individual donations, as well as investment income and state government (Chart 1, next page). Although funding decreases were widely reported by all types of organizations, arts groups were especially hard hit, with over 70% reporting decreases from each of these sources.

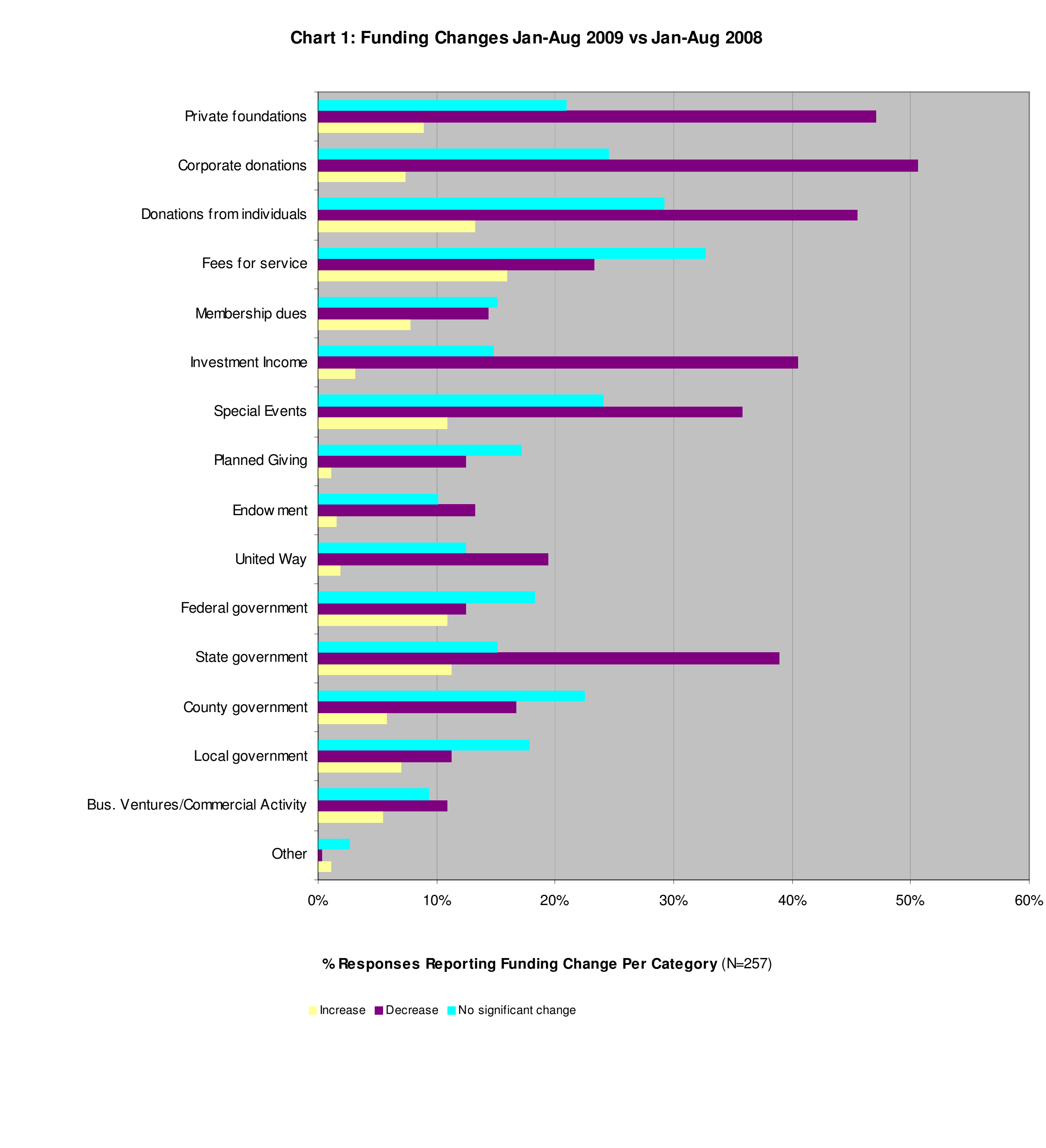
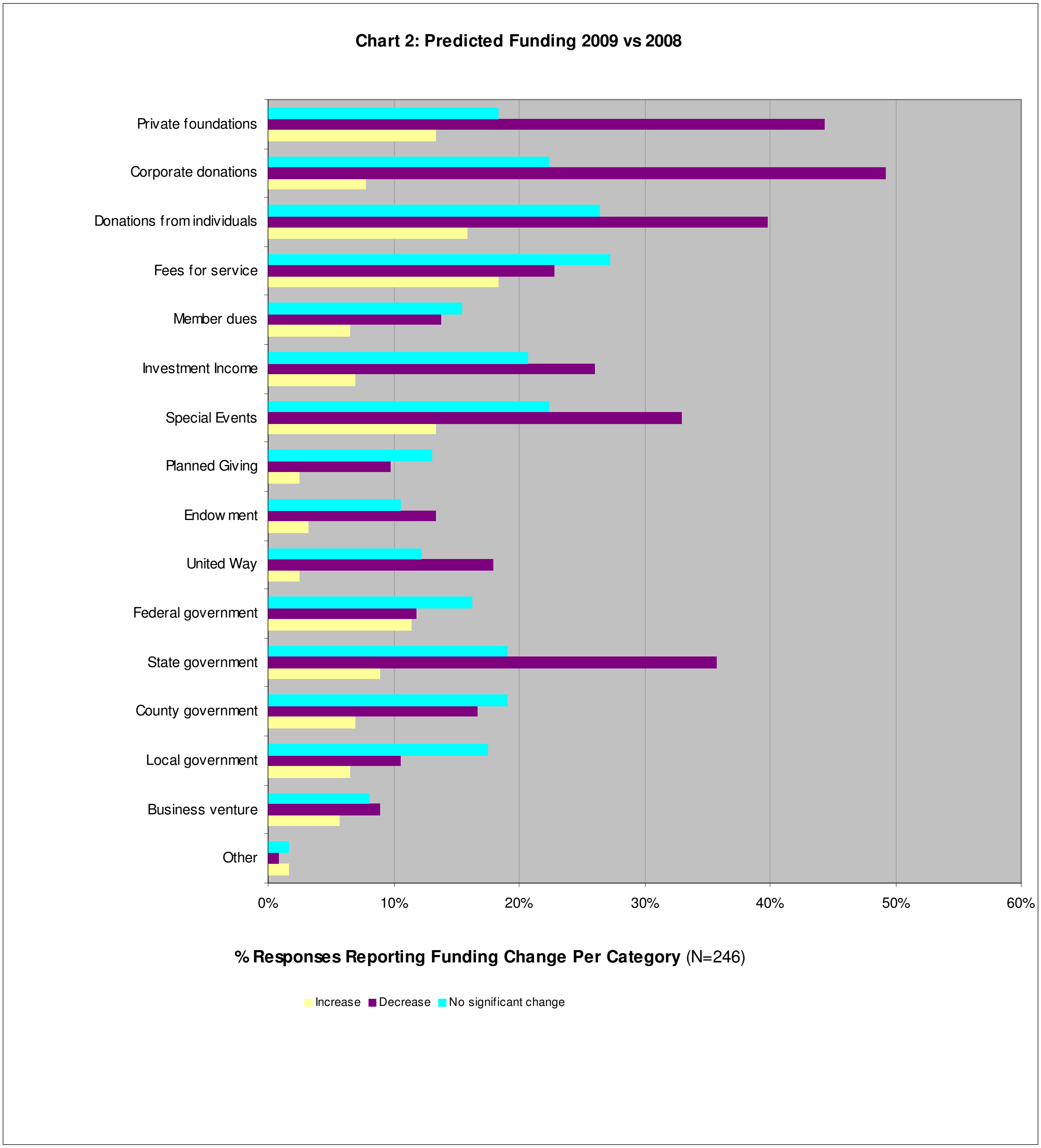


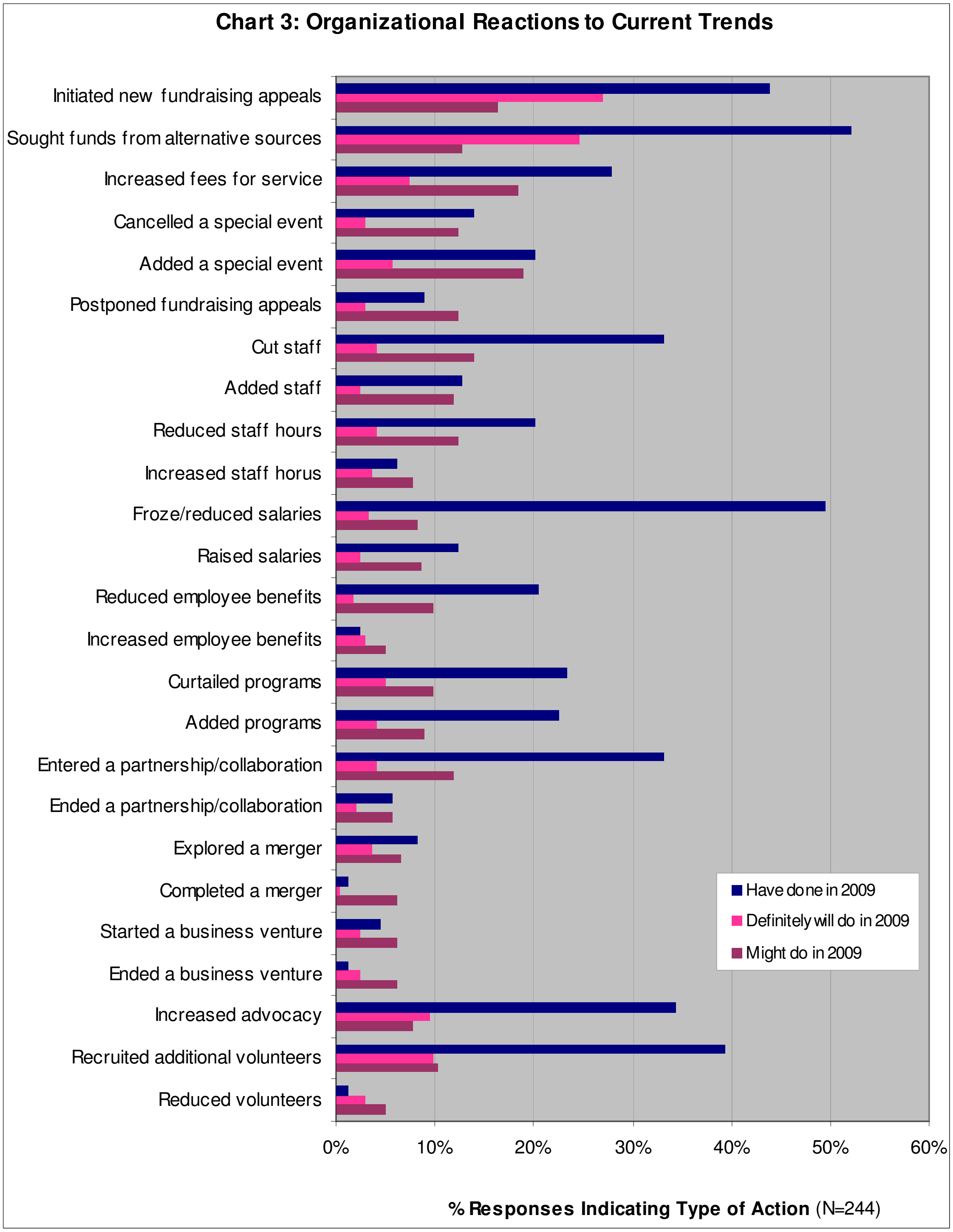
Chart 1: Funding Changes Jan-Aug 2009 vs Jan-Aug 2008
Private foundations
Corporate donations
Donations from individuals
Fees for service
Membership dues
Investment Income
Special Events
Planned Giving
Endow ment
United Way
Federal government
State government
County government
Local government
Bus. Ventures/Commercial Activity
Other
0%
10%
20%
30%
40%
50%
60%
% Responses Reporting Funding Change Per Category (N=257)
Increase
Decrease
No significant change

When asked to predict total 2009 vs. 2008 funding from various sources, respondents' projections were similarly discouraging. Predicted decreases outweighed increases in every category, with corporate, foundation and individual donations and state government cited most frequently.



Organizational Responses to Trends

In anticipation of, or response to, these trends, organizations reported taking a variety of steps to stabilize funding and boost capacity. Although seeking funds from alternative sources (52%) and initiating new fundraising appeals (44%) were commonly reported, cost-cutting measures were mentioned just as frequently. Fully 50% had already frozen staff salaries when the survey was taken, and an additional 20% had reduced them. One-third (33%) had cut staff in 2009, and an additional 14% said they might have to do so before the end of the year. Organizations are trying to fill some of the gap by recruiting additional volunteers, with 39% of respondents reporting that they had already done so in 2009. Twenty-three percent of respondents reported they had curtailed programs in 2009, but an equal proportion added programs, suggesting that adjustments are being made in response to shifting constituent needs and economic factors. Twelve percent of organizations reported that they had explored a merger or definitely intended to do so this year.



Partnerships/Collaborations

Forty-two percent of respondents reported launching new partnerships/collaborations in 2009, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Sample activities included joint proposals and events; organizations partnering to open a new restaurant, providing job training to local youth; sharing of facilities; joint programming among organizations of similar missions; and sharing of staff and consultants with other organizations.

Overall Outlook

The three most recent Center surveys show that non-profits believe their overall circumstances have grown steadily worse over the past twenty months. Only 17% of respondents reported their organization's circumstances were better as of August 31, 2009, compared with one year ago, down from 51% who said their situation was better in 2008 than in 2007, and 31% who reported their situation was better in February 2009 than in 2008. Over half (57%) of respondents said their situation was worse in August 2009 than a year ago – up from 15% in February 2008 and 36% in February 2009. (Table 7)

Overall, would you describe your organization's circumstances as better, worse or no different than the same time a year ago?			
Response	**February 2008** *(n=178)*	**February 2009** *(n=278)*	**August 31, 2009** *(n=242)*
Better	51%	31%	17%
Worse	15%	34%	57%
No different	35%	36%	26%

Table 7

Looking ahead to the coming year, organizations' overall outlook appeared somewhat less pessimistic in the current survey than in our March 2009 report. Although 41% of respondents – the same percentage reported in March – believe their circumstances will improve over the next year, fewer respondents believed definitively that they will be worse off by the end of 2010. (Table 8) This slight shift in attitude may have several divergent explanations: a belief that strategies already launched will improve their situation in the coming year, or perhaps a feeling that the situation has "bottomed out." However, the high percentage (34%) of "unknown/too early to tell" responses suggests that many in the non-profit community are simply holding their collective breath.

Overall, one year from now, do you think your organization's circumstances will be better, worse or no different than they are currently?			
Response	**February 2008** *(n=179)*	**February 2009** *(n=282)*	**August 31, 2009** *(n=242)*
Better	68%	41%	41%
Worse	8%	33%	13%
No different	24%	26%	12%
Unknown/Too early to tell	n/a	n/a	34%

Table 8

Interpretation/Implications

Although as with any survey, results should be interpreted with some caution, the 2009 interim data indicate strongly that the recession has taken a significant toll on many non-profits. Although the rate of increase seems to have slowed somewhat compared with earlier in the year, demand for services remains high. Funding has decreased for many organizations, and the future funding outlook, at least for the short term, appears tight. The gap between increased demand and projected funding is a cause for concern.

Extending a trend reported in March, a large proportion of non-profits have taken steps to address the situation. Significant cost-cutting measures, such as reducing staff and curtailing programs, have already been undertaken, although more are being contemplated as organizations continue to assess their situations.

Partnerships and joint activities continue to be pursued and mergers, while still a small part of the conversation, have been receiving some added attention. Volunteerism is taking on added significance as well, as organizations seek to fill gaps created by staffing reductions, as well as to take advantage of national calls to volunteer service.

Sustained attention to capacity building, organizational infrastructure, planning and partnerships/collaborations will remain vital as organizations navigate the crisis and adjust to a changing environment. Public policy initiatives to address capacity needs and resource shortages will also be critical.

The Center for Non-Profits will continue to gather and disseminate information regarding how economic and social conditions are affecting non-profits, and what can be done to address emerging trends.